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DIRECTORATE OF
INTELLIGENCE

Central Intelligence Bulletin

STATE review(s) completed.

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10 May 1968

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Approved For Release 2003/05/29 : CIA-RDP79T00975A011100110001-5

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No. 0152/68
10 May 1968

Central Intelligence Bulletin

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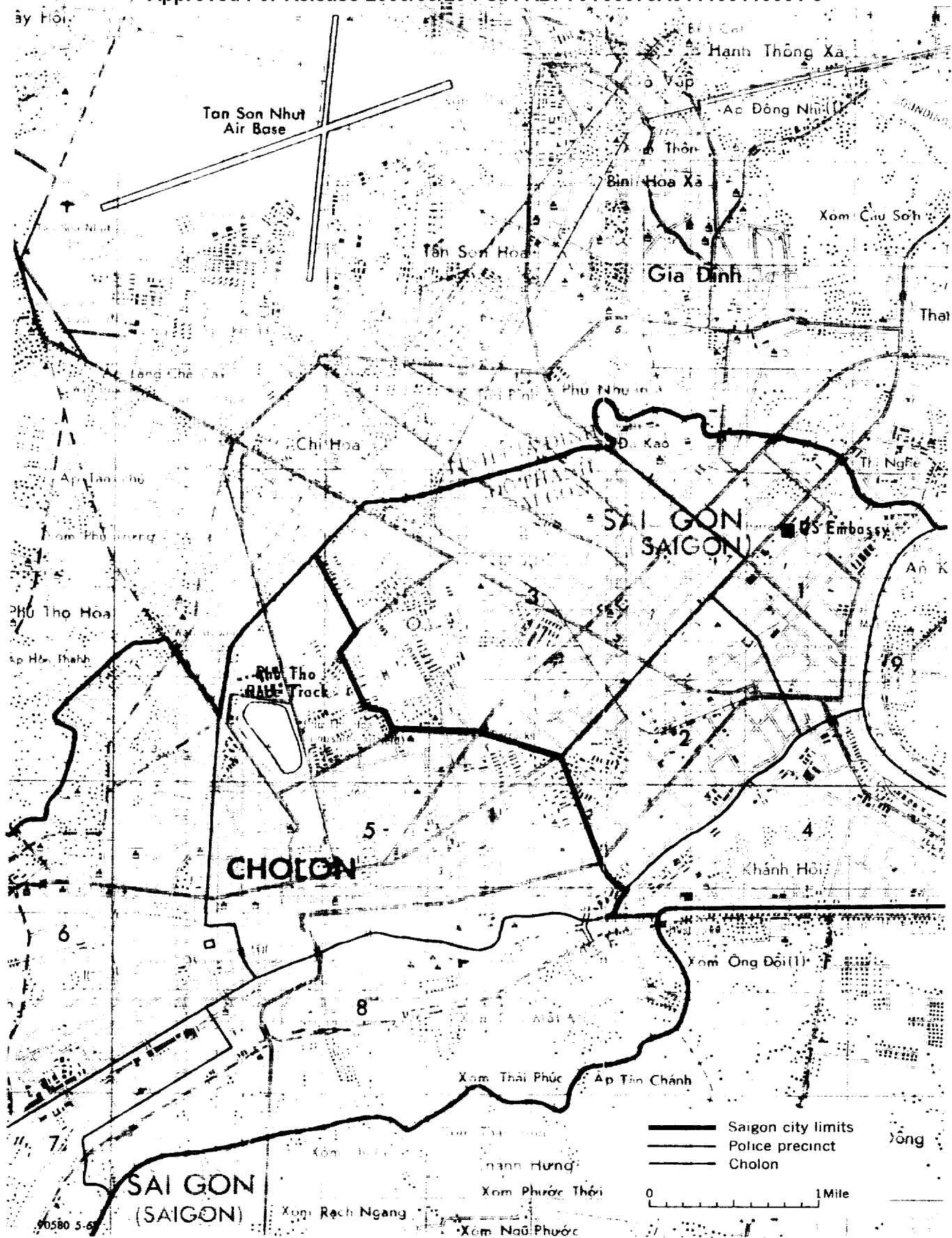
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[South Vietnam: Saigon city and the III Corps area continue to bear the brunt of the Communist offensive.

Within the capital, heavy fighting spread on 8-9 May from the troubled 6th and 8th precincts in southwestern Cholon to the 4th precinct on the city's southeastern flank. An estimated enemy battalion reportedly has set up rockets in the latter area within easy striking distance of the metropolitan sector.

Meanwhile, enemy captives say that additional Communist units hope to enter the city and intensify the fighting. One focus of the infiltration reputedly is the Phu Tho race track area in the 5th precinct where elements of the Viet Cong 9th Division plan to push in. Allied forces are still said to control all the major arteries leading into Saigon, while roads within the city are generally open to traffic except in curfew sectors.

Elsewhere in the III Corps area, Communist forces are keeping up a high level of rocket and mortar attacks against widely separated urban centers and military bases.

Prisoners [] continue to reflect plans to sustain the offensive. It would probably again take the form of widespread mortar and rocket barrages together with selective ground attacks.

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The refugee situation in South Vietnam poses serious problems for the allies. Just prior to the current enemy offensive, the number of refugees residing in government camps or other temporary

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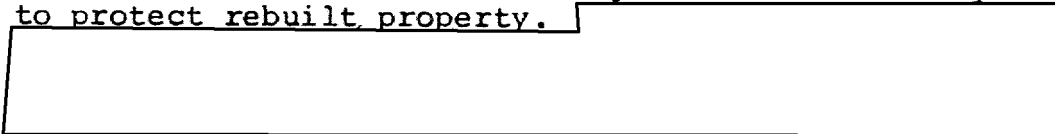
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[quarters had reached some 1.5 million, about eight percent of the population. Nearly a third of these were dislocated by the Tet attacks or by subsequent unrest.

Although the government has made some progress in the issuance of relief and reconstruction allowances and materials to refugee elements, reports indicate a reluctance by many people to engage in repair activities. Some of the hesitation is ascribed to a lack of confidence in the government's ability to protect rebuilt property.



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Communist China: The relative standing of important officials in Peking may be shifting, but apparently no further purges have taken place since late March.

Several key military and government officials who have been criticized in wall posters since then--mostly subordinates of Chou En-lai--attended major receptions held in Peking on 1 and 8 May, apparently still in good standing.

An analysis of the name list of officials at the 8 May event indicates that the relative status of some groups may be changing, however. Contrary to past practice key military figures took precedence over ordinary politburo members, who are normally listed ahead of nonpolitburo military men. The new chief of staff, the air force chief, and several other military and police officials were listed before ordinary politburo members and immediately after the politburo standing committee and the Cultural Revolution group. 



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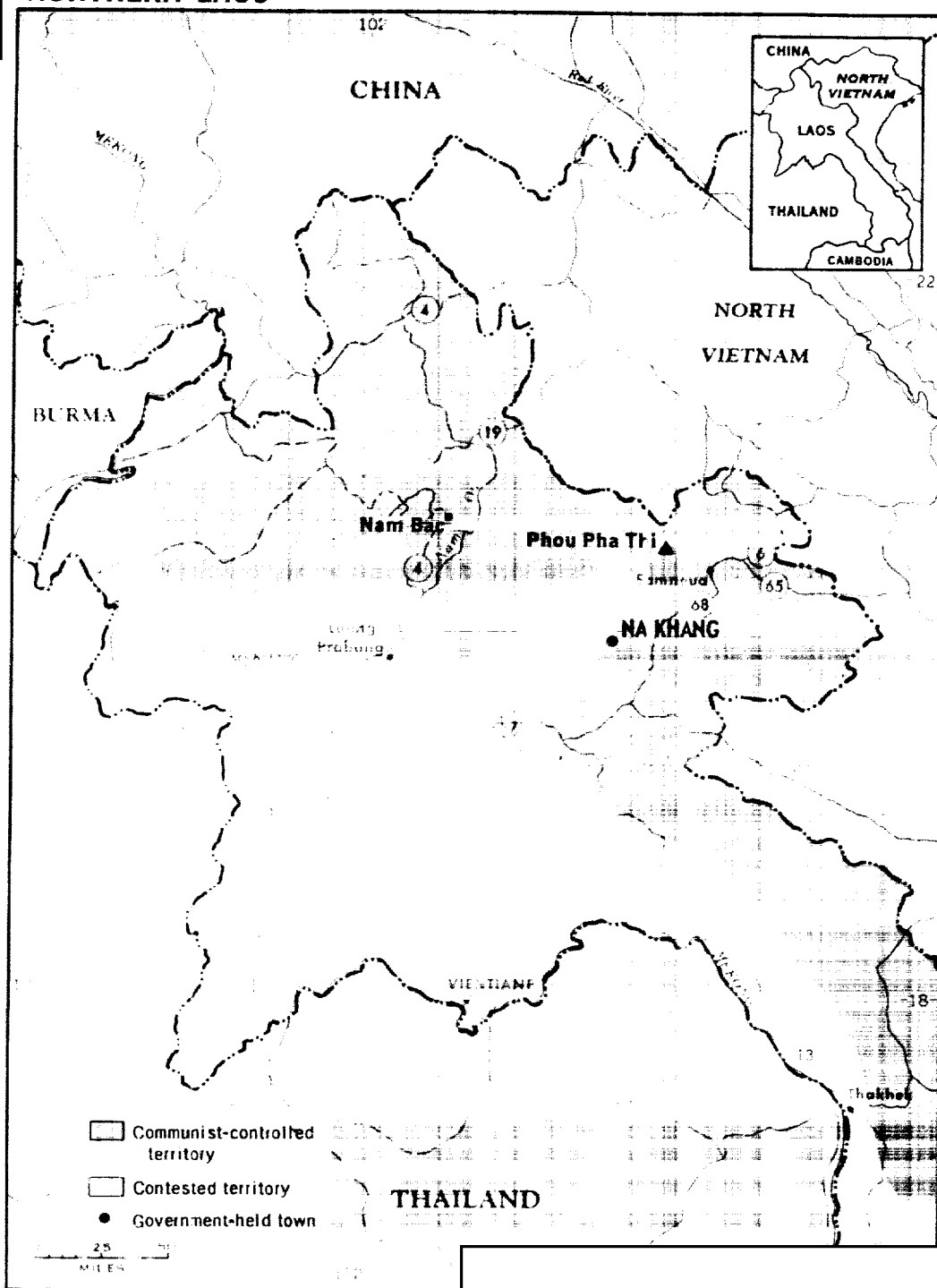
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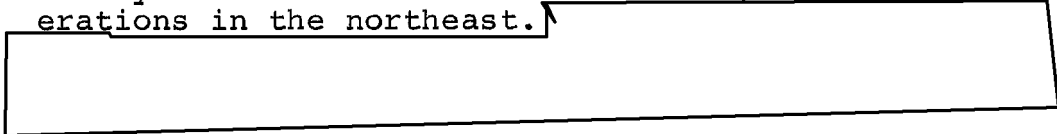
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Laos: [The Communists are closing in on the government base at Na Khang.]

[Government troops were driven out of three outlying defensive positions a few miles east of Na Khang on 8 May and a number of other positions have changed hands in recent days. Na Khang itself has come under some sporadic mortar fire and the enemy is clearly trying to get close enough to prevent use of the airstrip on which the base is totally dependent. Similar tactics were employed in the Communists' capture of Phou Pha Thi and Nam Bac earlier this year.]

[The fact that the Communists are pressing their attacks in the face of greatly increased US air strikes indicates that the enemy is prepared to suffer heavy losses to take the base. If the Communists intend to launch an all-out ground assault against Na Khang, they will probably do so in the next two or three weeks, before heavy rains wash out roads and trails in the area.]

[The Communists have temporarily occupied Na Khang during past dry season offensives, but in the wake of other setbacks in north Laos its loss this year would be a severe blow to government operations in the northeast.]



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Burma: [Differences within the leadership of the Kachin Independence Army (KIA) apparently are reaching a critical stage.]

[At issue is Kachin cooperation with the Chinese Communists in support of pro-Peking White Flag Communists. The Chinese, who since last fall have made overtures to the KIA, appear to have made some progress. One important objective in these contacts is to open a reliable logistic route through Kachin territory to White Flag areas in central Burma.]

[In order to offset pro-Peking influences, anti-Communist elements within the KIA have attempted to bring about the return of Zaw Seng, an influential KIA leader who has been in Thailand seeking arms and equipment from sympathetic Thai elements.]

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[The Kachin insurgent movement, whose main objective is an autonomous state, has been essentially anti-Communist and anti-Chinese. These factors might favor expulsion of its pro-Peking elements.]

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Ecuador: Anti-US former president Carlos Julio Arosemena has maneuvered himself to the forefront of the tense campaign for national elections on 2 June.

Arosemena's election as senator has been virtually assured by virtue of his naming leading presidential candidate Jose Maria Velasco to head the Guayas Province slate. This designation probably was Arosemena's goal last January when he declared his support for Velasco, whom he overthrew and replaced as president in 1961.

Recent gains by center-left candidate Andres Cordoba reduce prospects for a sweeping election victory or even a clear majority for either Velasco or conservative candidate Camilo Ponce. If Velasco wins under such circumstances, Arosemena's demonstrated skill in influencing a legislature would be a major advantage.

Arosemena, however, is an extremist who is anathema to the military, which overthrew him in 1963. His return to a position of power might lead them to political intervention, which they have avoided since the downfall of the military junta in 1966.

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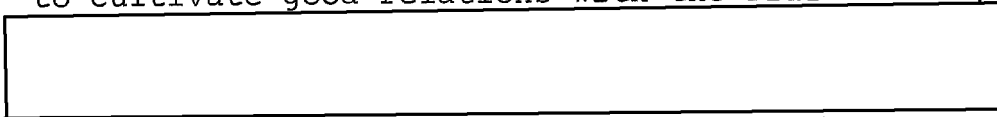
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Brazil-USSR: [The Soviet space support ship Kegostrov is being detained by Brazil in the port of Santos.]

[The Kegostrov is an unarmed converted timber carrier equipped with numerous antennae for tracking spacecraft in orbit. When spotted by the Brazilians on 3 May, the ship reported difficulty with its fresh water system. The Brazilians believe that the Kegostrov had earlier intruded into Brazilian waters in the vicinity of Trindade Island. They are apparently determined to conduct a thorough investigation.]

[Brazil has been increasingly concerned with the operation of Soviet ships, particularly fishing trawlers, in what it considers its territorial waters. The Soviets are attempting to get prompt release of the Kegostrov, but may soft-pedal the issue, at least initially, hoping that it can be resolved without adversely affecting their effort to cultivate good relations with the Brazilians.]



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Venezuela: [Counterinsurgency forces are registering additional successes against guerrilla bands in western Venezuela.]

[Government officials have confirmed that army ranger units in the western state of Yaracuy on 4 May killed one guerrilla and captured three. The guerrillas were members of Douglas Bravo's dissident Armed Forces of National Liberation. In several encounters since 17 April, army forces claimed to have killed 15 guerrillas, and wounded or captured seven. Venezuelan military officials believe that no more than 45 members of Bravo's band remain in western Venezuela.]

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[In eastern Venezuela, the Castro-supported Movement of the Revolutionary Left (MIR) has been moderately active. Five terrorists attacked a police headquarters in Anzoategui State and killed one police agent, but two terrorists were captured.]

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Uruguay: The unexpected resignation of Interior Minister Legnani highlights the political instability in Uruguay.

Legnani had acted as President Pacheco's political emissary in the negotiations for the cabinet reorganization last week and was one of its strongest members. He has long complained, however, about bickering in the government and lack of support for his firm policies in dealing with labor agitation. In addition, he is apparently suffering from physical exhaustion.

His replacement, Eduardo Jimenez de Arechaga, is a skilled international lawyer but lacks the political background needed by an interior minister in dealing with the police and local political figures.

Another cabinet problem concerns Finance Minister Cesar Charlone, who is under attack by Communists and other opposition elements within the legislature because of his identification with the unpopular economic austerity program. Pacheco reportedly will defend him by all constitutional means and has no intention of changing the program even if Charlone is ousted from the cabinet.

Outside the cabinet, Central Bank President Enrique Iglesias has confided to the US Embassy that he is deeply troubled by recent political developments and their impact on stabilization programs. Iglesias, a key figure in economic planning, will resign if current economic policies are dropped.

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Bolivia: A planned reduction in strength will seriously impair the army's ability to counter internal disorders.

About 8,200 conscripts--half the army's total strength--are scheduled to be discharged this month. This will drastically reduce the country's trained security force at a time when it is faced with increasing labor demands and serious financial problems. The army plans to recruit 6,000 men in June, but this will still leave only a small nucleus of trained personnel.

The mass discharge follows the revolt last month of conscripts of the US-trained 2nd Ranger Battalion against the army's decision to extend their tour of duty. The Bolivian high command had reached agreement with the US that the tour of duty for US-trained units would be lengthened to two years, but failed to inform the troops of this. When attempts to convert the rangers into an elite volunteer counterinsurgency unit failed, it was decided to release them as well as all other conscripts who had served at least one year.

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West Germany: Despite East Germany's harassment of West German access to Berlin, Bonn officials have decided to avoid provocative countermeasures which could increase tensions. A number of mild diplomatic moves are being considered by the Allied powers and West Germany, however, including a possible approach to Moscow. Before deciding how to proceed, Bonn is studying a statement of the Soviet ambassador to East Berlin, Abrasimov. Abrasimov hinted to Ambassador McGhee on 3 May that if West Germany publicly announced a curtailment of certain of its activities in West Berlin, the Soviets would prevail upon the East Germans to rescind their access restrictions.

* * * *

Panama: [With only two days left in the campaign, Arnulfo Arias is playing up government plans to perpetrate fraud in the elections and is calling for such a massive turnout of his National Union (NU) followers that vote-rigging will be impossible. Meanwhile, the government is backing away from a scheme that would have disqualified NU deputies from re-election because they participated in the attempt to impeach President Robles. The charges are not being pressed immediately, apparently because government leaders realize their plan was framed in rather shaky legal terms.]

* * * *

Sudan: Moderate forces suffered a heavy defeat in the general elections concluded this week in Khartoum. Former prime minister Sadiq al-Mahdi, leader of the moderate group, lost his own seat in the Constituent Assembly, and the left-leaning coalition group which led the previous government won an easy victory. When a new government is formed, it almost certainly will continue the country's recent trend toward closer ties with Moscow and alignment with radical Arab nationalist policies.

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